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Southeastern Development Foundation, Inc.

Annual Financial Report

June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

JAN 13 1999

Release Date \_\_\_\_\_

**Southeastern Development Foundation, Inc.**

**Annual Financial Report  
Year Ended June 30, 1998**

**TABLE OF CONTENTS**

	<b>Statement</b>	<b>Schedule</b>	<b>Page</b>
Independent Auditor's Report .....			3
Statement of Financial Position .....	A		4
Statement of Activities .....	B		5
Statement of Cash Flows .....	C		6
Notes to Financial Statements .....			7
<b>Supplementary Information:</b>			
Balance Sheet .....		1	13
Schedule of Revenues, Expenses and Changes in Fund Balance .....		2	14

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Southeastern Development Foundation, Inc.  
Post Office Box 293, University Station  
Hammond, Louisiana 70404

We have audited the accompanying statement of financial position of Southeastern Development Foundation, Inc. (a nonprofit organization) as of June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Development Foundation, Inc. as of June 30, 1998, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Foundation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

  
Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

December 8, 1998

**Southeastern Development Foundation, Inc.**

**Statement A**

**Statement of Financial Position  
June 30, 1998**

**Assets**

Cash and Cash Equivalents	\$ 222,170
Investments (Note 3):	
Certificates of Deposit	1,996,494
Debt Instruments	237,038
Equity Securities	1,239,975
Invested Cash and Cash Equivalents	1,358,022
Real Estate	5,913
U.S. Government Securities	1,750,989
Donated Land	1,775,782
Other Receivables (Note 4)	14,410
Total Assets	<u>\$ 8,600,793</u>

**Liabilities and Net Assets**

Liabilities:	
Accounts Payable	\$ 10,000
Agency Funds	1,073,388
Total Liabilities	<u>1,083,388</u>
Net Assets:	
Unrestricted	297,850
Temporarily Restricted	3,964,161
Permanently Restricted	3,255,394
Total Net Assets	<u>7,517,405</u>
Total Liabilities and Net Assets	<u>\$ 8,600,793</u>

The accompanying notes are an integral part of these statements.

**Southeastern Development Foundation, Inc.**

**Statement B**

**Statement of Activities  
For the Year Ended June 30, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>				
Contributions	\$ 31,068	\$ -	\$ -	\$ 31,068
Scholarships, Assistantships, Awards	-	305,474	350,432	655,906
Departmental	-	909,979	-	909,979
Programs	-	380,420	-	380,420
Fund Raising	45,865	16,982	-	62,847
Interest and Dividends	76,225	147,798	36,950	260,973
Unrealized Gains on Investments	559	-	118,907	119,466
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions	850,034	(701,374)	(148,660)	-
Unrealized Gains on Investments	11,891	85,613	(97,504)	-
<b>Total Revenues and Support</b>	<b>1,015,642</b>	<b>1,144,892</b>	<b>260,125</b>	<b>2,420,659</b>
 <b>Expenses</b>				
<b>Restricted Expenditures:</b>				
Scholarships, Assistantships, Awards	103,145	-	-	103,145
Departmental	508,222	-	-	508,222
Programs	85,347	-	-	85,347
Fund Raising	4,660	-	-	4,660
<b>Endowment Expenditures:</b>				
Scholarships, Assistantships, Awards	148,660	-	-	148,660
Salaries	32,501	-	-	32,501
Payroll Taxes	5,352	-	-	5,352
Professional Fees	54,408	-	-	54,408
Fund Raising	33,238	-	-	33,238
Interest Expense	7,147	-	-	7,147
Other Operating Expenses	12,178	-	-	12,178
<b>Total Expenses</b>	<b>994,858</b>	<b>-</b>	<b>-</b>	<b>994,858</b>
 <b>Increase (Decrease) in Net Assets Before Prior Period Adjustments</b>	<b>20,784</b>	<b>1,144,892</b>	<b>260,125</b>	<b>1,425,801</b>
 <b>Prior Period Adjustments</b>				
Correction of Contributions (Note 9)	1,744	-	-	1,744
<b>Total Prior Period Adjustments</b>	<b>1,744</b>	<b>-</b>	<b>-</b>	<b>1,744</b>
 <b>Change in Net Assets</b>	22,528	1,144,892	260,125	1,427,545
<b>Net Assets, Beginning of Year</b>	275,322	2,819,269	2,995,269	6,089,860
<b>Net Assets, End of Year</b>	<b>\$ 297,850</b>	<b>\$ 3,964,161</b>	<b>\$ 3,255,394</b>	<b>\$ 7,517,405</b>

The accompanying notes are an integral part of these statements.

**Southeastern Development Foundation, Inc.**

**Statement C**

**Statement of Cash Flows  
For the Year Ended June 30, 1998**

<b>Cash Flows From Operating Activities</b>	
Change in Net Assets	\$ 1,425,801
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Change in Unconditional Promises to Give	250,000
Change in Other Receivables	(12)
Change in Accounts Payable	10,000
Change in Accrued Expenses	(46)
Change in Agency Funds	1,073,388
Change in Unrealized Gains on Investments	(119,466)
Correction of Contributions	1,744
Net Cash Provided (Used) by Operating Activities	<u>2,641,409</u>
<b>Cash Flows From Investing Activities</b>	
Purchases of Investments	<u>(2,446,764)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,446,764)</u>
<b>Cash Flows From Financing Activities</b>	
Repayments of Short-Term Borrowings	<u>(100,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(100,000)</u>
<b>Net Increase (Decrease) in Cash</b>	94,645
<b>Cash, Beginning of Year</b>	127,525
<b>Cash, End of Year</b>	<u>\$ 222,170</u>

The accompanying notes are an integral part of these statements.

**Southeastern Development Foundation, Inc.**

**Notes to Financial Statements  
Year Ended June 30, 1998**

**NOTE 1 - DESCRIPTION OF ORGANIZATION**

Southeastern Development Foundation, Inc. (the Foundation) was incorporated April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as a nonprofit corporation. The Foundation is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) as a nonprofit organization. As such, only unrelated business income as defined by section 512 (a)(2) of the Code is subject to Federal income tax. The Foundation was formed to promote and support, on all levels, the Southeastern Louisiana University (SLU) program, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principals.

**Basis of Presentation**

Net assets of the Foundation and changes therein are classified and reported as follows:

**Unrestricted Net Assets** are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.

**Permanently Restricted Net Assets** are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Permanently restricted assets are primarily comprised of the original endowment gift given to the Foundation by donors. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

**Southeastern Development Foundation, Inc.**

**Notes to Financial Statements  
Year Ended June 30, 1998**

**Unconditional Promises to Give**

The Foundation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Made" (SFAS 116), effective July 1, 1995. SFAS 116 requires the Foundation to record certain promises to give as revenue when the promise is made.

**Conditional Promises to Give**

Pursuant with the Foundation's policy and in conformity with SFAS 116, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

**Investments**

The Foundation adopted Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (SFAS 124), effective July 1, 1996. SFAS 124 requires the Foundation to record certain investments at estimated fair value.

Investments are carried at fair value. The fair value of equity and debt instruments are based on the quoted market price of the underlying securities. Real estate investments which were received by gift are carried at an independently appraised market value as of the date of acquisition. Gains and losses realized on the sale of investments are determined using an average cost method for securities and the specific identification method for real estate and other investments. Gains and losses are realized on the trade date for investments.

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Property, Plant, and Equipment**

Fixed assets utilized by the Foundation are not recorded on the financial statements of the Foundation as these assets are owned by Southeastern Louisiana University.

**Donated Services**

A significant portion of the Foundation's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirement for recognition under SFAS No. 116.

**Southeastern Development Foundation, Inc.**

**Notes to Financial Statements  
Year Ended June 30, 1998**

**Agency Funds**

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

**Income Tax Status**

Under provisions of the Internal Revenue Code, Section 501 (c)(3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. Since the Foundation had no net unrelated business income during the year ended June 30, 1998, no provision for income taxes was made.

**NOTE 3 - INVESTMENTS**

Investments are recorded at fair value. The value assigned to investments received by gift is the market value at the date of donation. Amortized cost and fair value of investments at June 30, 1998 were as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Certificates of Deposit	\$ 1,988,236	\$ 1,996,494	\$ 8,258
Debt Instruments	234,050	237,038	2,988
Equity Securities	911,356	1,239,975	328,619
Invested Cash and Cash Equivalents	1,362,878	1,358,022	(4,856)
Real Estate	5,913	5,913	-
U.S. Government Securities	1,714,931	1,750,989	36,058
	<u>\$ 6,217,364</u>	<u>\$ 6,588,431</u>	<u>\$ 371,067</u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 1998 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due From SLU	\$ -	\$ 10,000	\$ -	\$ 10,000
Due From First NBC	-	-	4,410	4,410
	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 4,410</u>	<u>\$ 14,410</u>

**NOTE 5 - NET ASSETS**

As of June 30, 1998, temporarily restricted net assets consisted of the following:

Scholarships and University Program Support	\$ 2,192,035
University Affiliated Research Program	<u>1,772,126</u>
	<u>\$ 3,964,161</u>

**Southeastern Development Foundation, Inc.**

**Notes to Financial Statements  
Year Ended June 30, 1998**

As of June 30, 1998, permanently restricted net assets consisted of the following:

Endowed Gifts to be Held in Perpetuity with Income to be Used for Scholarships	\$ <u>3,255,394</u>
	\$ <u><u>3,255,394</u></u>

During the course of the fiscal year ended June 30, 1998, net assets whose use by the Foundation was subject to donor-imposed restrictions were fulfilled by actions of the Foundation, pursuant to those restrictions, the expiration of time, or the designation of law. These assets are shown in the statement of activities as net assets released from restrictions, and consist of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Satisfaction of Program Restrictions	\$ 701,374	\$ 148,660	\$ 850,034
Unrealized Gains on Investments	-	97,504	97,504
	<u>\$ 701,374</u>	<u>\$ 246,164</u>	<u>\$ 947,538</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 1998, the Foundation occupied offices in a building constructed by the Southeastern Louisiana University Alumni Association, Inc. Under the terms of a lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University, including the space housing the Southeastern Development Foundation, Inc. Since the value of the facilities used by the Foundation was not reasonably determinable, no related donation or expense is recorded. In accordance with Louisiana Revised Statutes 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the university. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the university.

**NOTE 7 - CONTINGENCIES**

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the Foundation holds as agent for SLU funds for an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount as of June 30 of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 1998, the endowment base is \$1,038,360 and the fair value of the account is \$1,073,388.

**Southeastern Development Foundation, Inc.**

**Notes to Financial Statements  
Year Ended June 30, 1998**

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

Statement of Financial Accounting Standards No. 105 identifies deposits maintained at financial institutions in excess of federally insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At June 30, 1998, the Foundation's uninsured demand and time deposit balances total \$172,632 (collected bank balances). Management believes that the risk is limited because the deposits are maintained in high quality financial institutions.

At June 30, 1998, other financial instruments that subject the Foundation to credit risk consist principally of investments in money market funds, certificates of deposit, debt instruments, equity securities, and U.S. government securities. Management believes that the diversified nature of these investments limits the amount of credit exposure in any one investment.

**NOTE 9 - PRIOR PERIOD ADJUSTMENTS**

During the fiscal year, adjustments of \$1,744 adjust contributions to actual.

## Supplementary Information

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SOP 78-10 Format Financial Statements:  
Balance Sheet

Schedule of Revenues, Expenses, and Changes in Fund Balance

**Southeastern Development Foundation, Inc.**

**Schedule 1**

**Balance Sheet  
June 30, 1998**

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 151,853	\$ 70,317	\$ -	\$ -	\$ 222,170
Investments (Note 3):					
Certificates of Deposit	-	251,377	1,736,859	-	1,988,236
Debt Instruments	-	-	34,050	201,388	235,438
Equity Securities	1,275	-	610,081	325,696	937,052
Invested Cash and Equivalents	-	566,860	446,437	344,725	1,358,022
Real Estate	-	-	5,913	-	5,913
U.S. Government Securities	-	-	1,514,931	201,579	1,716,510
Donated Land	-	1,772,126	3,656	-	1,775,782
Interfund Receivables	116,754	556,189	-	-	672,943
Other Receivables (Note 4)	-	10,000	4,410	-	14,410
<b>Total Assets</b>	<b>\$ 269,882</b>	<b>\$ 3,226,869</b>	<b>\$ 4,356,337</b>	<b>\$ 1,073,388</b>	<b>\$ 8,926,476</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Agency Funds	-	-	-	1,073,388	1,073,388
Interfund Payables	-	23,222	649,721	-	672,943
<b>Total Liabilities</b>	<b>10,000</b>	<b>23,222</b>	<b>649,721</b>	<b>1,073,388</b>	<b>1,756,331</b>
<b>Fund Balance:</b>					
Unrestricted	259,882	-	-	-	259,882
Restricted	-	3,203,647	-	-	3,203,647
Endowment	-	-	3,706,616	-	3,706,616
<b>Total Fund Balance</b>	<b>259,882</b>	<b>3,203,647</b>	<b>3,706,616</b>	<b>-</b>	<b>7,170,145</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 269,882</b>	<b>\$ 3,226,869</b>	<b>\$ 4,356,337</b>	<b>\$ 1,073,388</b>	<b>\$ 8,926,476</b>

Note: Investments are presented at amortized cost for the unrestricted, restricted, and endowment funds, and at fair value for the agency fund.

The accompanying notes are an integral part of these statements.

Southeastern Development Foundation, Inc.

Schedule 2

**Schedule of Revenues, Expenses, and Changes in Fund Balance  
For the Year Ended June 30, 1998**

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total
<b>Revenues</b>				
Contributions	\$ 31,068	\$ -	\$ -	\$ 31,068
Scholarships, Assistantships, Awards	-	305,474	350,432	655,906
Departmental	-	909,979	-	909,979
Programs	-	380,420	-	380,420
Fund Raising	45,865	16,982	-	62,847
Interest and Dividends	76,225	-	184,748	260,973
<b>Total Revenues</b>	153,158	1,612,855	535,180	2,301,193
<b>Expenses</b>				
<b>Restricted Expenditures:</b>				
Scholarships, Assistantships, Awards	-	103,145	-	103,145
Departmental	-	508,222	-	508,222
Programs	-	85,347	-	85,347
Fund Raising	-	4,660	-	4,660
<b>Endowment Expenditures:</b>				
Scholarships, Assistantships, Awards	-	-	148,660	148,660
Salaries	32,501	-	-	32,501
Payroll Taxes	5,352	-	-	5,352
Professional Fees	54,408	-	-	54,408
Fund Raising	33,238	-	-	33,238
Interest Expense	7,147	-	-	7,147
Other Operating Expenses	12,178	-	-	12,178
<b>Total Expenses</b>	144,824	701,374	148,660	994,858
<b>Excess Revenues (Expenses)</b>	8,334	911,481	386,520	1,306,335
<b>Fund Balance, Beginning of Year</b>	251,262	2,291,949	3,318,855	5,862,066
<b>Adjustments to Fund Balance</b>				
Prior Period Adjustment (Note 9)	286	217	1,241	1,744
<b>Restated Fund Balance, Beginning of Year</b>	251,548	2,292,166	3,320,096	5,863,810
<b>Fund Balance, End of Year</b>	\$ 259,882	\$ 3,203,647	\$ 3,706,616	\$ 7,170,145

The accompanying notes are an integral part of these statements.

